ALTERNAUTAS

(Re)Searching Development: The Abya Yala Chapter

Vol.2 – Issue 2 [December 2015]

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How to cite:

Krepp, S. (2015), 'Underdeveloped Economists': The Study of Economic Development in Latin America in the 1950s, *Alternautas,* 2(2), 21-27. URL : http://www.alternautas.net/blog/2015/7/27/underdeveloped-economists-the-study-of-economic-development-in-latin-america-in-the-1950s

Editor : Alternautas
http://www.alternautas.net
London, UK.
ISSN - 2057-4924

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'Underdeveloped Economists': The Study of Economic Development in Latin America in the 1950s[2]

The 1950s were a decade full of aspirations and struggles all over the globe and in a specific way for Latin America. Excluded from the vision of the West and Western infrastructure, such as NATO, while also not part of the socialist bloc, the so-called second world, Latin America was trying to come to grips with its place in the world. This paper will trace the shift in political economic thought in the 1950s, explaining how cepalismo played a central role in defining underdevelopment, at a time when the idea of a Third World was still in its infancy.

'Such is the drama of present-day Latin America – the only area of Western, Christian civilization where underdevelopment is the general condition of the countries making up the region.'[3] This evaluation by the Panel of Experts to the Inter-American Economic and Social Council of September 30, 1962, accurately identified the unique – and inherently contradictory – Latin American position as both Western and economically underdeveloped. In the 1950s, Latin American societies found themselves in a rather ambiguous position: although culturally Latin Americans perceived themselves as belonging to Western Christian civilisation, they

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[2] Article originally published in http://www.alternautas.net/blog/2015/7/27/underdeveloped-economists-the-study-of-economic-development-in-latin-america-in-the-1950s on August 4th, 2015.

[3] Report of the Panel of Experts to the Inter-American Economic and Social Council, (Committee of Nine) Doc.17, September 30 1962,OEA/Ser.H/X.3, 1.

were at best marginal to the West, as in economic terms they were firmly located in the periphery.[4]

In light of these contradictions, a persuasive notion had been growing that structural differences separated Latin America from the West. The Economic Commission for Latin America and the Caribbean (ECLAC, commonly also known as CEPAL for its Spanish acronym, with which it will be referred to hereinafter), had a profound impact on this view.[5] Founded in 1948 as a temporary agency of the United Nations, its mandate was to search for solutions for the pressing economic and social problems in Latin America. CEPAL soon became a rallying point for the most prolific economists of the region, and founded a separate school of economic thought: structuralism or cepalismo.[6] The name structuralism pointed towards the fact that cepalistas believed that underlying structural obstacles impeded development in Latin America.

Raúl Prebisch, executive secretary of CEPAL, wrote a study entitled The Economic Development of Latin America and Its Principal Problems, which was informally known as the 'structuralist manifesto'.[7] As the most famous structuralist, he influenced CEPAL in its foundational years by introducing a centre-periphery dichotomy to explain uneven development and the increasing gap in wealth in the Americas.[8] States in the periphery, namely all Latin American countries, grew

[4] Walter Mignolo, The Idea of Latin America (Oxford: Blackwell, 2005), xv. Or as Howard Wiarda phrased it, Latin America is thought of as Western, albeit an 'underdeveloped version thereof'. Howard Wiarda, The Democratic Revolution in Latin America (New York: Holmes & Meier, 1990), 120.

[5] ECLA was later renamed into ECLAC (Economic Commission of Latin American and the Caribbean).

[6] The cepalistas are not to be confounded with the later dependistas, far to their left, as often happens in US scholarship. Though hostile, Packenham at least avoids this error and provides an account of the idea he criticises. Robert A. Packenham, The Dependency Movement: Scholarship and Politics in Development Studies (Cambridge, MA: Harvard University Press, 1992).

[7] Albert Hirschman coined this term. Albert O. Hirschman, 'Ideologies of Economic Development in Latin America', in: Albert O. Hirschman (ed.), Latin American Issues: Essay and Comments (New York, NY: Twentieth Century Fund, 1967), 3-42.

[8] This hypothesis is also referred to as the Prebisch-Singer thesis. For a general overview: Robert A. Packenham, The Dependency Movement: Scholarship and Politics in Development Studies (Cambridge, MA: Harvard University Press, 1992). Raúl Prebisch, The Economic Development in Latin America (New York, 1950). Joseph L. Love, 'Raúl Prebisch and the Origins of the Doctrine of Unequal Exchange', Latin American Research Review Vol.15, No.3 (1980), 45-72.

poorer as they were exploited by the centre through asymmetric economic relationships between primary resource-based economies and those based on manufacturing. Structuralists observed that demand for food and raw materials peaked sooner than demand for manufactured goods. As a primary-product exporting region, Latin America was therefore systematically disadvantaged, because this meant that the prices of capital goods exported by the industrialised countries grew faster than prices of primary goods exported by countries on the periphery. 'Declining terms of trade', in the words of Prebisch and Singer, widened the gap between developed and underdeveloped countries. In sum, development and underdevelopment were mutually constitutive phenomena.

As a primary goal, structuralists recommended state actions that aimed at industrialisation and reducing dependence on expensive imports from the developed countries. A second policy prescription was cooperation between Latin American countries themselves to maximise and stabilise world prices for primary commodities such as coffee, sugar, copper and petroleum, through the creation of a region-wide common market. A range of Latin American governments in the 1950s implemented this bundle of recommendations, summed up in the formula of import-substitution-industrialisation, ISI, which had originated as early as the depression of the 1930s, when many of those who later served as CEPAL officials, such as Prebisch, had been working for their respective national governments.[9] Import-substitution-industrialisation, as stipulated by CEPAL, envisioned three phases in the path to industrialisation. In the first phase, imports were substituted by domestic products in order to reduce the imbalance of payments. In the next phase, the production of intermediate goods was encouraged to replace previously imported goods. In the last phase, an economy had developed far enough to be able to produce capital goods.

[9] For the case of Brazil, Robert J. Alexander argues that this Kubitschek's policies fall under the third phase of ISI in Brazil, after 1930-45 and 1945-55. Robert J. Alexander, Juscelino Kubitschek and the development of Brazil (Athens, Ohio: Ohio University Press,1991), 4.

The importance of cepalista thought on Latin America cannot be overestimated, both because it originated in Latin America, tailoring solutions to native structures, and because it provided the foundation for a range of schools of political thought that would acquire widespread impact: dependency theories and world-systems theory. Yet, it is crucial to understand that structuralist thought of the 1950s, while targeting underdevelopment, was never a fundamental critique of the liberal-capitalist system. Instead, its aim was to enable Latin American countries to develop and industrialise in order to participate in the Western project.

It was only by the mid-1960s, more than a decade later, after political events in Latin America had radicalised political and economic ideas, that Marxist thought started to adopt and simultaneously transmute cepalismo and as a result dependency and later world-systems theory evolved.[10] Strictly speaking, there is no such thing as a dependency school. Rather, it served as an umbrella term for a variety of strands of thought that shared the belief that relations between Latin America and the industrialised countries were irredeemably exploitative.

However, two characteristics set cepalismo and dependency apart. First, neither dependency nor world-systems theory were economic theories per se, but rather sociological models to understand the historical development of the capitalist world system.[11] Secondly, their economic outlook differed fundamentally. While structuralism functioned in the capitalist framework, dependistas wanted to eschew what they deemed an unfair global system altogether. Dependistas additionally rejected North American concepts of positivist theory, such as modernisation theory, as well as national territories as units of analysis. Some, amongst them

[10] Most prominent in the field of the dependency tradition were Henrique Fernando Cardoso and Enzo Faletto, as well as Immanuel Wallerstein, who developed the World-Systems Theory, and Andre Gunder Frank, who contributed significantly to the latter. Fernando Henrique Cardoso and Enzo Faletto, Dependencia y desarollo en América Latina: ensayo de interpretación sociológica (Mexico City: Siglo Vientiuno Editores, 1972). Immanuel Wallerstein, The Modern World-System (New York: Academic Press, 1974).

[11] Note the change in title to World-Systems analysis in Wallerstein's later book of 1990. In response to criticism Wallerstein and his followers later clarified that it was 'simply a research tool'. Alvin Y. So, Social Change and Development: Modernization, Dependency and World-Systems Theories (Newbury Park, SAGE 1990), 230.

Andre Gunder Frank, claimed that underdevelopment could only be overcome by violent revolution and economic autarky, while others, such as Henrique Cardoso, saw the possibility of adjusting the international economic system.[12]

Cepalista thought acquired prominence for two reasons: its policies were implemented in a range of governments in the 1950s and it introduced a twofold paradigm shift. Structuralism explained Latin American economic underachievement without recurring to widespread assumptions that Latin American underdevelopment was rooted in its inferior political cultures. And it established a, at first tentative, link with other regions of the world. Although structuralism was exclusively focused on Latin America in the beginning, economists soon realised that structural obstacles were not unique to the region and instead characteristic of the international economic order. However, it would take until the 1960s and the emergence of postcolonial states to popularise structuralist thought on the global stage. In some ways, therefore, cepalistas planted the seed for the nascent idea of a Third World, but an 'economic Third World' centred on underdevelopment.

Although the term of Third World itself had already been coined by the French scholar Alfred Sauvy by 1952, at this point it only referred to the non-aligned countries, the majority of which were former colonies. Peter Worsley, who was one of the academics who popularised the term, defined it in 1964 as 'the world made up of the ex-colonial, newly-independent, non-aligned countries'.[13] Contemporaries would not employ the concept until the mid-1960s and only in the early 1970s did it become common usage outside of academia. This contemporary definition clearly complicated Latin American membership, because they were politically firmly aligned with the United States in the inter-American system and because they did

[12] Dependency and World-Systems theories also disagree on a range of other non-economic topics, such as the nature and origin of European capitalism. See: Boris Stremlin, 'Bounding Historical Systems: The Wallerstein-Frank Debate and the Role of Knowledge in World History', Review Vol. 24, No. 4 (2001), p. 515-53.

[13] Peter Worsley, The Three Worlds (London: University of Chicago Press, 1984).

not belong to the new wave of decolonised countries, having reached independence more than a century before.

By contrast, underdevelopment was a much older term, dating back to the 1940s and certainly by the early 1950s it was employed copiously by Prebisch and Singer, but exclusively in relation to economics.[14] It would only be later that the two separate concepts of underdevelopment and the Third World would merge and become interchangeable, as we understand them today.[15]

Accepting the underdeveloped status of Latin America, however, did not necessarily mean that the idea of a political Third World was accepted widely in Latin America. Today, we locate Latin America in the Third World without thinking twice. But contemporaries in the 1950s were struggling to see the connections between world regions, a notion that countered potent Latin American national narratives. Beyond using Third World solidarity as a rhetorical tool to rally support in international fora, the question remains if and to what extent different groups within Latin American societies identified with the idea of the Third World.

One central reason for this is the structure of Latin American societies. Political decision-making by and large remained in the hands of Latin American political elites, who were predominantly white and male. Additionally, strong presidential regimes prevalent in Latin America meant that elite political beliefs had a particular impact on social and economic policies.[16] For Latin Americans, Europe remained the cultural reference point and they were thus profoundly disinclined to identify with socially and racially distinct peoples. This ambiguity can be seen by looking at the Non-Aligned Movement. With the exception of Cuba, no Latin American country joined the Non-Aligned Movement until the 1970s, and even then they

[14] See: Hans Singer, 'The Distribution of Gains Between Investing and Borrowing Countries', American Economic Review Vol. 40 No.2 (May 1950) or the 1949 UN study on 'Relative Prices of Exports and Imports for Underdeveloped Countries'.

[15] See: Leslie-Wolf Phillips, 'Why 'Third World'?: Origin, Definition and Usage', Third World Quarterly Vol.9, No.4 (Oct. 1987)1311-1327.

[16] Kathryn Sikkink, Ideas and Institutions: Developmentalism in Brazil and Argentina (Ithaca, NY: Cornell University Press, 1991), 2.

exercised their membership half-heartedly.[17] Similarly, political events that championed Third World solidarity, such as the 1966 Tricontinental Conference in Cuba, remained the exception to the rule.

Thus, accepting Latin American underdevelopment as a defining characteristic did not necessarily equal widespread tercermundismo or a shift in political imperatives in the 1960s. This ambiguity of Latin America as an 'in-between region', rooted in the 1950s, has cast a long shadow and, as a result, debates on the awkward place of Latin America in the world continue to this day.[18] One of the more lasting legacies of this might be that while Latin American academics have struggled to forge a separate school of decolonisation literature, they have not been successful in inscribing themselves into global decolonisation narratives.[19]

Despite this, structuralism profoundly transformed understandings of economics both in Latin America and in the rest of the world. Few, if any, Latin American theories gained such widespread acceptance. Within Latin America, cepalismo was crucial in explaining how underdevelopment had emerged historically. And most importantly, it was an economic theory for economic underdevelopment by 'underdeveloped economists.'

[17] Argentina joins in 1973, for example, because the Peronist government believed it would give them more leverage in the Falklands/Malvinas dispute and certainly not because they identified with non-aligned goals.

[18] See, for example, Huntington's controversial Clash of Civilizations, where he argues for a separate Latin America civilization.'Latin America could be considered either a subcivilization within Western civilization or a separate civilization closely affiliated with the West and divided whether it belongs to the West.' Samuel P. Huntington, The Clash of Civilizations and the Remaking of World Order (London: Simon and Schuster, 2002), 46. Some scholars have therefore claimed that Latin America as a region belongs neither to the West nor the Third World, but constitutes a category of its own · a 'Fourth World of Development'· as Howard Wiarda framed it. Howard Wiarda, Politics and Social Change in Latin America: Still a Distinct Tradition? (Boulder: Westview Press, 1992), 6.

[19] Of course there have been attempts to bridge this gap by scholars such as Walter Mignolo, Anibal Quijano, and Fernando Coronil, but contributions are few and remain fragmented.